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SUBJECT: SOUTH AFRICA: LABOR MINISTER MDLADLANA'S BUDGET SPEECH

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Summary

1. Job creation was the centerpiece of Labor Minister Membathisi Mdladlana's May 15 address to Parliament on May 15, in which he noted that all social partners had participated in discussions and had emerged with a common understanding, including the need to improve implementation of the legislative framework. Mdladlana praised the improved speed of work of the Commission on Conciliation, Mediation and Arbitration (CCMA) but noted that "lawyers were milking the labor market regime to death," requiring a reexamination of the function of legal representation within the CCMA. Mdladlana provided a variety of statistics on training conducted under the auspices of the Department of Labor and the Sectoral Education and Training Authorities (SETAs). He also introduced a "sectoral determination" for the hospitality workers, which entitles them to a minimum wage of R 1680 (USD 240) per month. End Summary.

Praise for the CCMA

2. Minister Mdladlana praised the Commission on Conciliation Mediation and Arbitration (CCMA), currently under the leadership of Nerrine Kahn. He noted that the CCMA received about 120,000 referrals a year and managed to resolve its cases in an average of 66 days per case, with 26 days the average for cases conciliated and 48 days the average for cases arbitrated. The CCMA managed to settle approximately 70 percent of cases referred to it. The minister noted that the number of workdays lost annually due to industrial action had decreased by 68 percent since the CCMA's creation. He also noted that the CCMA required additional resources to quickly deal with the increasing demands made on it. However, Minister Mdladlana also noted that a study on the overall efficiency and efficacy of dispute resolution provided "objective data" that lawyers were "milking our labor market regime to death" by unnecessarily complicating and prolonging cases. The minister proposed to examine the role and functions of legal representation within the dispute resolution process.

Improved Services at SADOL, Unemployment Fund

3. Minister Mdladlana noted that the Department of Labor had decentralized a large number of critical functions to provincial offices and labor centers. He noted that unemployed workers could file and have their unemployment claims processed in the same office, and that many functions could now be performed without approval from Pretoria. The Unemployment Insurance Fund (UIF) had also undergone structural changes and had undergone and improved benefit administration system that allowed it to process 96 percent of claims filed since April

¶2006. Benefits were paid electronically into the bank accounts of employees. The U-Filing system introduced in 2006 also permitted employers to submit declarations and payments via the internet. Mdladlana noted that the UIF currently had a surplus of R19.8 billion (USD 2.8 billion), which was invested via the Public Investment Corporation. He also noted that the Compensation Fund (which pays out disability and other payments) continued to experience problems but had reduced its backlog of claims and had increased the settlement of claims from 48 to 58 percent.

Concerns about Collective Bargaining

¶4. The Labor minister voiced his concern about the representivity of bargaining councils. He said that the increasing casualisation of workers (i.e. temporary workers hired outside formal employment structures) reduced the capacity of the labor movement to organize workers and limited the extent to which collective bargaining could be extended to non-parties. Mdladlana said that less organized sectors tended to be more prone to strikes, which "easily became uncontrollable and violent." He also said that investors were less willing to invest in countries in which the "rules of the game" were not agreed upon by the players. He described the weakening of the bargaining councils as a "worrying and negative development."

Job Creation

¶5. Job creation was the centerpiece of the minister's speech, though he proposed few remedies to South Africa's 25.5 percent unemployment rate. He noted that all social partners had been brought to agree on the broader context of the legislative framework including the "redistributive role" of government policies; and that the issues of job creation and small business development had to be viewed within a broader macro-economic, social and trade policy context rather than just limited to labor market policies. He noted that weaknesses in the

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implementation and operational side of the legislative framework impacted on labor market systems. Mdladlana added that the International Labor Organization (ILO) had been asked to review South Africa's labor market. Employers will be required to register all placement opportunities and job vacancies with the Labor Department.

Training and Employment Related Education

¶6. (Note: Sectoral Training and Education Authorities (SETAs), which provide job-related training, fall under the purview of the Minister of Labor. Employers are required to contribute one percent of payroll towards these funds but can reclaim expenditures from their SETA for job-related training. End Note.) Minister Mdladlana said that all SETAs had aligned their interventions with the National Scarc Skills list, which identified approximately 250 job skills in short supply in South Africa. The minister noted that he was developing an employment services system to link the unemployed to vacancies and training and highlighted a variety of training undertaken during the past year. The Department of Labor will spend an addition R300 million (USD 43 million) over the next 18 months to provide 60,000 unemployed adults with basic education and training programs.

Minimum Wage for Hospitality Workers

¶7. The Minister also announced a minimum wage for workers in the hospitality industries - i.e., waiters, waitresses, receptionists, bartenders, etc. Their monthly minimum wage will be R1,680 (or roughly \$ 240) and they will be entitled to overtime and annual leave. The "sectoral determination" will remain in effect until 2010, with workers covered under this

measure receiving annual wage increases of two percent over inflation.

Comment

¶8. The CCMA has turned itself around under Nerrine Kahn leadership to provide faster and more user-friendly mediation and related services. Much of the business criticism of the CCMA has muted in the past year. The Minister's speech, apart from the welcome minimum wage determination for hospitality workers, did not break much new ground. His assertion that all social partners accepted the macro-economic framework may have been over optimistic. End Comment.
COFFMAN